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Sequestration- November 2014 Update

The Bipartisan Budget Act (BBA) of 2013 reset Federal FY 14 (FFY 14) and FFY 15 post-sequestration discretionary spending levels originally set in the Budget Control Act of 2011. FFY 14 discretionary spending levels were set at \$1.012 trillion, which was about \$44.8 billion above the original post-sequestration spending cap. As a result of the change in the cap, no sequestration of discretionary spending occurred in FFY 14.

On September 19, 2014, the President signed a Continuing Resolution (CR) funding the federal government until December 11, 2014. Discretionary spending levels in this CR are set at FFY 14 levels, which is approximately \$1.4 billion less than what the BBA allows for in FFY 15. However, non-defense discretionary spending is approximately \$2 billion above its spending cap imposed by the BBA. If this pattern of spending continued, a sequestration of non-defense discretionary spending would be necessary in FFY 15. The table below summarizes the Continuing Resolution.

FFY 15 Annualized Spending Levels in Continuing Resolution vs. Levels Imposed by Bipartisan Budget Act of 2013 (in millions)

	Defense \$	Non-Defense \$	Total \$
FFY 15 Cap Imposed by BBA	521,272	492,356	1,013,628
FFY 15 Annualized Spending Level Set by CR	517,689	494,547	1,012,236
Annualized CR Spending Above/Below BBA Cap	(3,583)	2,191	(1,392)

Mandatory spending is set by statute, and is subject to a separate set of automatic reductions from statutory levels from FFY 13 to FFY 23. These reductions are to be calculated by the Office of Management and Budget at the beginning of each fiscal year. The chart below shows the mandatory sequestration that has taken place so far, from FFY 13 to FFY 15. The Budget Control Act called for sequestration of mandatory spending to continue until FFY 21, but the BBA continued mandatory sequestration through FFY 23.

Mandatory Sequestration from FFY 13 to FFY 15

Federal Fiscal Year (FFY)	Nondefense %	Defense %
2013	(5.1)	(7.9)
2014	(7.2)	(9.8)
2015	(7.3)	(9.5)

Background

The Budget Control Act (BCA) of 2011 included measures intended to reduce the deficit by \$2.1 trillion from FFY 12 to FFY 21. These measures: 1) imposed caps on discretionary spending over that time period, reducing the deficit by \$917 billion; and 2) established the Joint Committee on Deficit Reduction, which was required to recommend further spending cuts and revenue increases designed to reduce the deficit by an additional \$1.2 trillion.

As a result of the committee's inability to agree on recommendations, automatic mandatory and discretionary spending reductions (known as sequestration) of \$1.2 trillion went into effect beginning in FFY 13. The first round of sequestration occurred on March 1, 2013, with approximately \$85 billion in across-the-board spending cuts. An additional round of sequestration occurred on March 27 after it was determined that FFY 13 discretionary spending would exceed the imposed cap.